



CITY COUNCIL

AGENDA REQUEST

AGENDA OF:	02-04-14	AGENDA REQUEST NO:	III-A
INITIATED BY:	STEPHANIE RUSSELL, <i>Jmr</i> BUSINESS RETENTION MANAGER	RESPONSIBLE DEPARTMENT:	ECONOMIC DEVELOPMENT
PRESENTED BY:	STEPHANIE RUSSELL, <i>Jmr</i> BUSINESS RETENTION MANAGER	DIRECTOR:	REGINA MORALES, <i>Jmr</i> DIRECTOR OF ECONOMIC DEVELOPMENT
		ADDITIONAL DIRECTOR (S):	N/A
SUBJECT / PROCEEDING:	PARTICIPATION IN THE TEXAS ENTERPRISE ZONE PROGRAM; NOMINATION OF NOBLE DRILLING SERVICES INC. AS ENTERPRISE PROJECT SECOND READING OF ORDINANCE NO. 1945		
EXHIBITS:	ORDINANCE NO. 1945		
CLEARANCES		APPROVAL	
LEGAL:	MEREDITH RIEDE, <i>Mre</i> ASSISTANT CITY ATTORNEY	EXECUTIVE DIRECTOR:	N/A
PURCHASING:	N/A	ASSISTANT CITY MANAGER:	N/A
BUDGET:	N/A	CITY MANAGER:	ALLEN BOGARD <i>Allen Bogard</i>
BUDGET			
EXPENDITURE REQUIRED: \$		N/A	
CURRENT BUDGET: \$		N/A	
ADDITIONAL FUNDING: \$		N/A	
RECOMMENDED ACTION			
Consideration and approval of second reading of Ordinance No. 1945.			

EXECUTIVE SUMMARY

BACKGROUND

Noble Drilling Services Inc. representatives have been working with Sugar Land Economic Development staff regarding the company's current and new investments planned over the next five years. The investments are expected to exceed \$5.2 million on capital projects at their Sugar Land Headquarters located in the Granite Towers off of Dairy Ashford. The plan includes renovating their leased space and updating furniture, fixtures, and IT equipment. Noble's five year investment plan began in October of 2013 and will result in increased operational efficiencies reinforcing the retention of the existing workforce (approximately 468 employees).

In regards to these investments, Noble has submitted a request for the City to nominate Noble Drilling Services Inc. as an "Enterprise Project" under the Texas Enterprise Zone Program.

TEXAS ENTERPRISE ZONE PROGRAM

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and significant private investment that will assist economically distressed areas of the state. As of December 2012, the Enterprise Zone Program has accounted for 872 projects with 332,175 jobs (new and retained) and \$58.0 billion in capital investment.

An enterprise zone is a census tract block group that has 20 percent or more poverty rate based upon the decennial census federal poverty level information, a distressed county, a federally designated zone or renewal community. Sugar Land does not have an enterprise zone in its jurisdiction. However, an enterprise project may be located outside a zone area as long as the company commits that at least 35 percent of their new employees will meet economically disadvantaged or enterprise zone residency requirements.

A local community must nominate a company as an Enterprise Project to be eligible to participate in the Enterprise Zone Program and may provide incentives to the project or business and industrial development services. Texas law limits the number of allocations that may be awarded to local communities per biennium based on population. Municipalities or counties with a population of less than 250,000 based on the most recent decennial census are eligible for up to six enterprise project designations during a state biennium based upon availability.

Communities may nominate projects, for a designation period up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe. Under limited statutory provisions, an enterprise project designation may be granted for job retention.

The last project the City nominated was for Fluor Enterprises Inc. in 2010, but the project was not awarded.

PROCESS

The first step in the process is to have the City Council pass an ordinance nominating the company as an Enterprise Project. As part of the ordinance, the State statute requires the City list incentives that are offered locally for economic development. Please note that the ordinance does not state that any of these local incentives will be provided to the company, but simply states that these types of incentives can be provided to economic development prospects at the discretion of the City Council.

Once nominated, the company can submit an application to the Office of the Governor, Economic Development and Tourism, which administers the Program. Applications can be made quarterly and the next deadline is March 3, 2014.

If Noble Drilling is awarded Enterprise Project status by the State, annual filing requirements are necessary. City staff must also certify jobs created and/or retained to the State.

BUDGETARY IMPACT

There is no impact on the City of Sugar Land budget as this program is a refund on state sales and use tax. The state portion of the sales and use tax may be claimed but not the local portion unless that incentive is offered in the local area.

RECOMMENDATION

Staff recommends approval of the first reading of Ordinance 1945 authorizing participation in the Texas Enterprise Zone Program and nominating Noble Drilling Services Inc. as an Enterprise project. The project was reviewed with the Economic Development Committee on December 16, 2013.

EXHIBITS

ORDINANCE NO. 1945

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS, AUTHORIZING THE CITY'S PARTICIPATION IN THE TEXAS ENTERPRISE ZONE PROGRAM PURSUANT TO THE TEXAS ENTERPRISE ZONE ACT, CHAPTER 2303, TEXAS GOVERNMENT CODE (ACT), PROVIDING TAX INCENTIVES, DESIGNATING A LIAISON FOR COMMUNICATION WITH INTERESTED PARTIES, AND NOMINATING NOBLE DRILLING SERVICES INC. TO THE OFFICE OF THE GOVERNOR ECONOMIC DEVELOPMENT & TOURISM THROUGH THE ECONOMIC DEVELOPMENT BANK AS AN ENTERPRISE PROJECT.

WHEREAS, the City Council of the City of Sugar Land, Texas (City) desires to create the proper economic and social environment to induce the investment of private resources in productive business enterprises and to provide employment to residents from an enterprise zone; and

WHEREAS, the project or activity is not located in an area designated as an enterprise zone; and

WHEREAS, pursuant to Chapter 2303, Subchapter F of the Act, Noble Drilling Services Inc. has applied to the City for designation as an enterprise project; and

WHEREAS, at the election of City Council, certain local incentives are available to Noble Drilling Services Inc. as a qualified business that will create a higher level of employment, economic activity and stability; and

WHEREAS, a public hearing to consider this ordinance was held by the City Council on January 21, 2014; NOW, THEREFORE;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS:

Section 1. That it nominates Noble Drilling Services Inc. for enterprise project status.

Section 2. That the following local incentives, at the election of the City Council, are or will be made available to the nominated project or activity of the qualified business:

- a) The City may establish a reinvestment zone and abate taxes on the increase in value of real property improvements and eligible personal property for up to 10 years for qualifying projects under the requirements of the City of Sugar Land Guidelines and Criteria for Granting Tax Abatement Agreements (Tax Abatement Guidelines). The level of abatement shall be based upon capital investment, and the extent to which the business receiving the abatement creates jobs for qualified employees, in accordance with the Tax Abatement Guidelines and with qualified employee being defined by the Act.
- b) The City may provide business and industrial development services, including:
 - 1) Grants to eligible companies through the city's 4A sales tax corporation;
 - 2) Chapter 380 tax rebates for qualifying projects that significantly enhance the city's tax base as provided in the City's policy;
 - 3) Establishment of a Tax Increment Reinvestment Zone;
 - 4) Creation of stream-lined permitting and problem resolution centers or ombudsmen; or
 - 5) Promotion and marketing services.

- c) The City may provide regulatory relief to businesses, including:
 - 1) Zoning changes or variances; or
 - 2) Streamlined permitting.
- d) The City may provide enhanced municipal services to businesses, including:
 - 1) Improved police and fire protection; or
 - 2) Institution of community crime prevention programs.
- e) The City may provide improvements in community facilities, including:
 - 1) Capital improvements in water and sewer facilities;
 - 2) Road repair;
 - 3) Creation or improvement of parks; or
 - 4) Creation of other venues, such as museums, conference centers, etc.
- f) The City, in partnership with other regional entities, may provide job training and employment services to businesses, including:
 - 1) Retraining programs;
 - 2) Literacy and employment skills programs;
 - 3) Vocational education; or
 - 4) Customized job training.

Section 3. That any enterprise zone areas created within the City are reinvestment zones in accordance with the Texas Tax Code, Chapter 312.

Section 4. That it directs and designates the City's Director of Economic Development as the City's liaison to communicate and negotiate with the Governor of Economic Development and Tourism (EDT) through the Economic Development Bank and enterprise project(s) and to oversee zone activities and communications with qualified businesses and other entities in an enterprise zone or affected by an enterprise project.

Section 5. That it finds that Noble Drilling Services Inc. meets the criteria for designation as an enterprise project under Chapter 2303, Subchapter F of the Act on the following grounds:

- a) Noble Drilling Services Inc. is a "qualified business" under Section 2303.402 of the Act since it will be engaged in the active conduct of a trade or business at a qualified business site within the governing body's jurisdiction, located outside of an enterprise zone and at least thirty-five percent (35%) of the business' new employees will be residents of an enterprise zone or economically disadvantaged individuals; and
- b) There has been and will continue to be a high level of cooperation between public, private, and neighborhood entities in the area; and
- c) The designation of Noble Drilling Services Inc. as an enterprise project will contribute significantly to the achievement of the plans of the City for development and revitalization of the area.

Section 6. The enterprise project shall take effect on the date of designation of the enterprise project by EDT and terminate on March 3, 2019.

Section 7. That the provisions of this ordinance are severable and the invalidity of any part of this ordinance will not affect the validity of the remainder of the ordinance.

APPROVED on first consideration on _____.

ADOPTED on second consideration on _____.

James A. Thompson, Mayor

ATTEST:

Glenda Gundermann, City Secretary

APPROVED AS TO FORM: